

Next Up for Democrats: Creating the Largest Welfare Program in U.S. History

*Obama Budget Raises Energy Taxes on Every
American, Prodding Democrats to Create Massive
Energy Stamps Program to "Protect the Poor"*

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United States House of Representatives
Committee on Ways and Means
Republicans

What's in the Obama Budget?

- About \$80 billion per year in “climate revenues” from a new “cap and trade” energy tax scheme.
 - \$15 billion/year for “clean energy technology”
 - \$65 billion/ year for “Make Work Pay” credits
- Total of \$646 billion in energy tax hikes assumed through 2019.



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What's in the Budget Fine Print?

"Shown here are those proceeds from auctioning emission allowances that are reserved for clean energy technology initiatives and to compensate families through the Making Work Pay tax cut....All additional proceeds will be used to further compensate the public." (p. 116)



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Translation?

- The President's Budget massively understates its real energy tax hikes.
- Instead of \$80 billion per year, CBO estimates the tax hikes could total \$300 billion per year.
 - *"CBO estimates that by 2020, the value of those allowances could total between \$50 billion and \$300 billion annually (in 2006 dollars)." (CBO 3/12/09 testimony, p. 5)*
- That's up to \$2.2 trillion in "hidden" energy tax hikes, for a possible grand total of \$3 trillion in energy tax hikes over 10 years.



How Much Is \$300 Billion in Annual Energy Tax Hikes?

- \$300 billion equals \$1,000 for every man, woman, and child in the U.S.
- **That's \$4,000 in annual energy tax hikes per family of four.**
- That's \$2,564 in annual energy tax hikes per 117 million households.



Who Pays Energy Tax Hikes?

Everyone, for almost all goods: *"Although the price of energy-intensive items such as electricity, natural gas, home heating fuels, and gasoline would increase the most, the price of most items would rise in response to the imposition of a cap-and-trade program (because energy is an input for almost all goods and services)."* (CBO, p. 6)



Who Would Suffer Most?

The poor: *"First, the introduction of a price on CO₂ would be fairly regressive, meaning that it would disproportionately affect lower-income households, which spend a larger portion of their income on energy expenditures."*

(Resources for the Future, 3/12/09 testimony, p. 5)



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So What's a Democrat to Do?

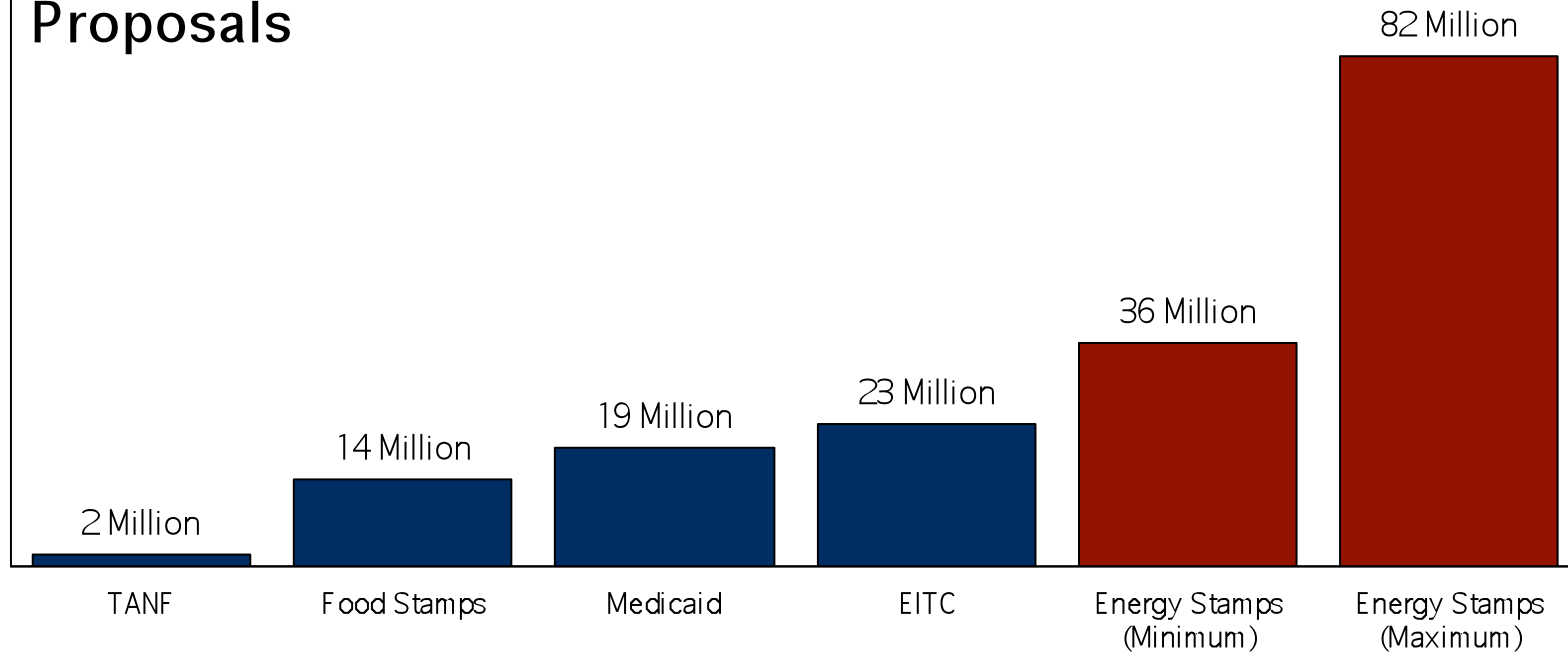
- Your budget massively increases energy taxes for all Americans.
- Your energy tax hikes hurt the poor most.
- You promised to spread the wealth MORE in the direction of the poor.
- So you create.....



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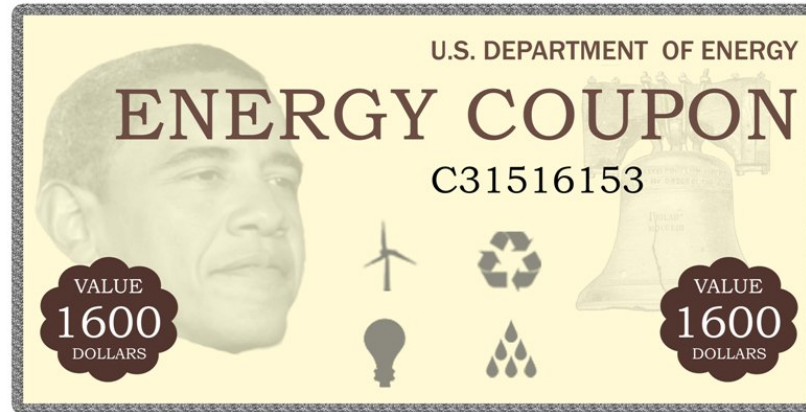
The Biggest Welfare Program Ever: *Energy Stamps*

Number of Recipient Households,
Current Welfare Programs and Energy Stamps
Proposals



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What Are Energy Stamps?



- Energy stamps are government payments like welfare or food stamps. They are designed to protect SOME families from Democrats' energy tax hikes.
- Energy stamps can be spent on *anything*, since Democrats' energy tax hikes make *everything* more expensive.
- Democrats call energy stamps "climate rebates." But they are NOT about the climate and are NOT a "rebate."

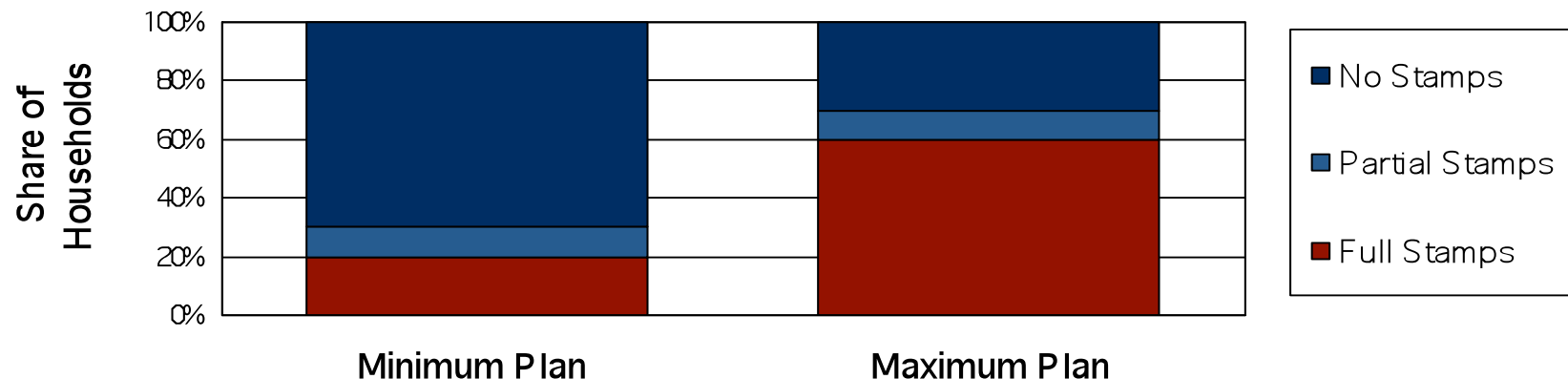


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Where Are the Details?

- The most detailed proposals come from a February 2009 Center on Budget and Policy Priorities Report (<http://www.cbpp.org/2-19-09climate2.pdf>)
- CBPP offers “minimum” and “maximum” plans that would pay energy stamps to between 30% and 70% of all U.S. households.

CBPP Energy Stamp Plans



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Who Gets Energy Stamps?

- Energy stamps would be paid to families based on their relatively low incomes.
 - Under the “minimum” plan, energy stamps start to phase out for “rich” singles earning above \$12,000; no singles above \$18,000 qualify for energy stamps.
 - Under the “maximum” plan, the phase out starts at \$30,000; no singles earning above \$50,000 qualify for energy stamps.
- Those above the phaseout get only tax hikes.



How Much Are Energy Stamps?

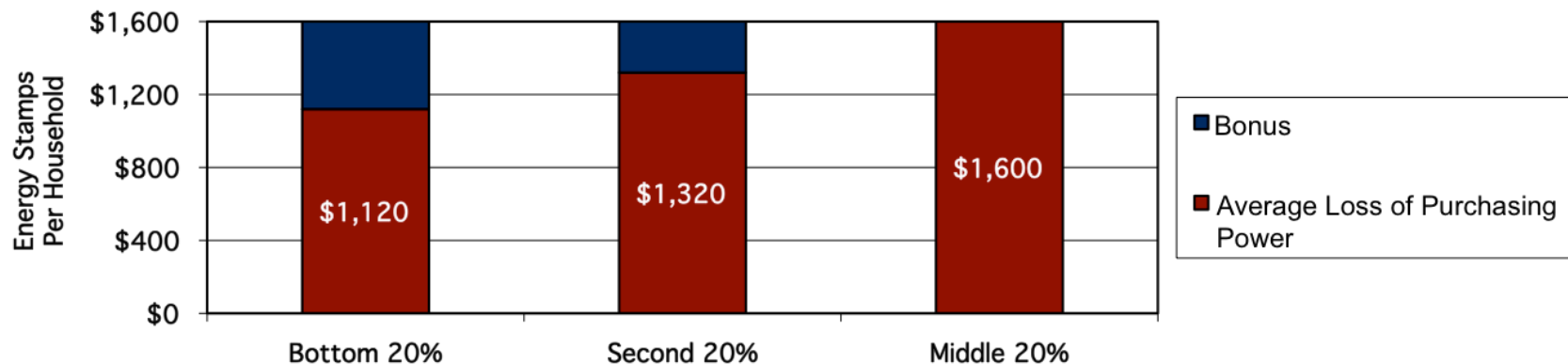
- Value depends on the “average loss of purchasing power” in income quintiles. That in turn depends on how high energy taxes go up.
- CBO in 2009 suggests a cap less restrictive than the Obama Budget proposes would “cost the average household roughly \$1,600.” (CBO, p. 6)
- So “average” energy stamps might be \$1,600.
- But if energy tax hikes reach the upper bound of CBO’s estimate of \$300 billion per year, the “average” energy stamps per household could be \$2,564 per year or more.



Who “Wins”?

- By paying eligible households the same \$1,600 per year, the “maximum” plan makes “bonus” payments to low-income households, whose *“Rebate is somewhat larger than the average loss of purchasing power.” (CBPP)*
- This is spreading the wealth, energy style.

“Maximum” Energy Stamps Plan Spreads the Wealth



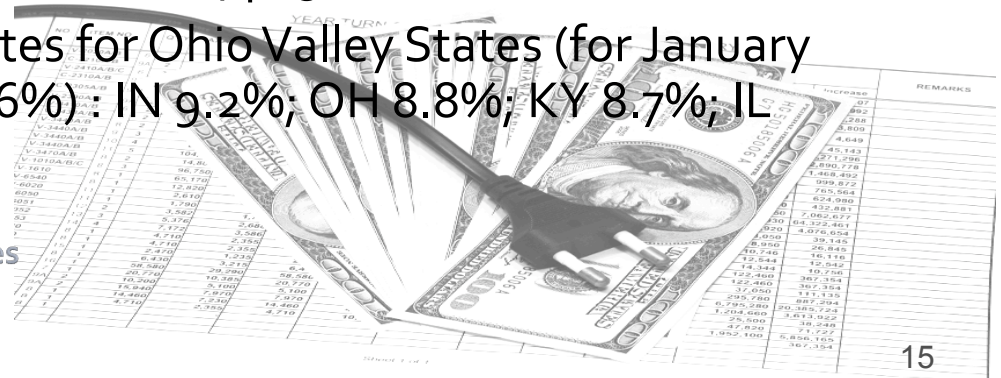
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Who Loses?

- Anyone who doesn't get "full" energy stamps (i.e. between 40% and 80% of all U.S. households, depending on the plan).
- But even among energy stamp recipients, people with above average energy consumption.
 - People who drive farther to work, have more kids, or live in an older house would be net losers even if they get energy stamps.
- People in regions like the Ohio Valley, where 70% lose:
 - *"In the most vulnerable regions, the Mid-Atlantic and Ohio Valley, roughly 30 percent of households would benefit from this climate policy. In the Northeast and Plains states, only about 35 percent of households would benefit."* (Resources for the Future, p. 9)
 - Most recent unemployment rates for Ohio Valley States (for January 2009, when US average was 7.6%): IN 9.2%; OH 8.8%; KY 8.7%; IL 7.9%; PA 7.0%; and WV 5.3%.



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Couldn't We "Fix" That?



"No program could address all the region- and household-specific circumstances that could affect families' costs." (CBO, p. 2)



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Energy Stamps Won't Help If Energy Taxes Destroy Your Job

- Various studies suggest between 1.8 million and 7 million jobs would be destroyed.
- An expert at the liberal Resources for the Future, Mun Ho, recently said the complete destruction of the inorganic chemical sector is a very real possibility.
- No amount of energy stamps will make whole the millions who lose their jobs due to Democrats' massive energy tax hikes.



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